Council struggles with growing debt

Published on: Thursday, December 02, 2010 | By Paige L. Hill

The Montgomery County Council members say something must give to halt the county's rapidly growing debt – at a rate of nearly 47 percent per decade, while the county's revenue is projected to grow just 3 percent in the next three years, according to an analyst from the county's Office of Legislative Oversight who presented a 10-year long report to the council last week. Since 2001, the average county employee salary has increased 50 percent, while the cost of benefits increased nearly 120 percent.

"The steadily rising costs of the county's legal and policy commitments are projected to exceed the growth of in anticipated revenues for the foreseeable future ... the county must consider reforms that either raise more revenue or lower the projected cost curves associated with ongoing government operations and future promises," the report states.

The report reveals the rising debt was not due to a rise in employees or number of offices, but an increase in costs per employee – 82 cents of every tax-supported dollar goes to employees and 52 cents of that goes to benefits alone.

Between salary and benefits, the average Montgomery County employee costs taxpayers about $100,000 a year, the report found

According to the report, spending on health and retirement benefits for county employees has grown by 120 percent over the past 10 years. Pension costs per employee were increasing at more than twice the rate of costs for governments similar to the county's size. The retirement plans more closely resembled a 401(k) in the private sector, according to one analyst.

Council President Nancy Floreen (D-At large) acknowledged that one solution could be raising taxes but that she did not see it happening this fiscal year.

"There is a lot at stake, so it's not going to be easy," said Floreen, who added that the "bargaining" had begun early over how to make up for a projected $200 million shortfall in fiscal year 2012. Council Vice President Valerie Ervin (D-Dist. 5), who is expected to take over the job of council president in the next year, said the only way to fix the problem would be to go to the foundation of the budget.

"This is a message to the executive branch and county employee unions that somewhere there has to be a balance met," Ervin said. "We can't continue to balance the budget the way we have and still provide services," she said.

She discussed the theory that across-the-board cuts were not the way to find $200 million in the budget but that a change in the way the county and the public unions bargain would be part of the answer. Ervin has proposed a bill that would change the current county law that brings in an arbitrator whenever the county council and unions are unable to reach an agreement. The arbitrator takes into account a comparison of wages, public welfare and bargaining history among other factors before making a recommendation. Ervin's proposal would add local limitations to tax increases to that list.

"This proposal states that the arbitrator must first evaluate and give the highest priority to the ability of the county to pay for an additional short-term and long-term expenditures," Ervin said.

The report projected an increase of $4 million in spending this year, with more than $2 million going to the county's public school district. Floreen acknowledged that the schools posed "the biggest challenge" for the budget – 57 percent of this fiscal year's tax-supported spending went to the school system. The county work force grew by just 10 percent in employees. MCPS enrollment grew by 6 percent, but the MCPS work force grew by 14 percent according to the report. Though Montgomery College's work force grew by a whopping 30 percent, it more closely matched the 32 percent rise in enrollment, according to the report.

What remains to be seen is how County Executive Isiah "Ike" Leggett and the council will decide on how to make up for the loss of the budgeted-for $12.9 million in revenue from the controversial voted-down EMS Transport Fee or Ambulance fee. Leggett's proposal in October was laying off 87 county firefighters and cutting their budget, but Councilman Phil Andrews (D-Dist. 3), who chairs the county's Public Safety Committee, said he remains confident the county will not lay off the much-needed firefighters.

"We have other options in terms of budget cuts, like not hiring new employees instead of laying off our existing ones," Andrews said. But it looks like the cuts have already begun after a 8-1 vote Tuesday decided that 250 county fire fighters would not receive pay raises in the next year. Only outgoing Councilman Mike Knapp (D-Dist. 2) voted against the move.

The next report will be presented before county council on Dec. 7, just one day after new Council members Hans Riemer (D-At large) and Craig Rice (D-Dist. 2) have been sworn in.